

Message Text

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC IMMEDIATE 6567

INFO PANCANAL

USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 0750/1

LIMDIS

C O R R E C T E D C O P Y (CAPTION ADDED - LIMDIS)

LIMDIS

E.O. 11652: GDS

TAGS: PN, PINT

SUBJECT: GOVERNMENT BUSINESS CONFRONTATION III: THE IMPLICATIONS
FOR CANAL TREATY NEGOTIATIONS

REFS: PANAMA'S 0748 AND 0749

SUMMARY: THE PRESENT GOP PRIVATE SECTOR CONTROVERSY, THE
GOVERNMENT'S INITIAL ERROR IN HANDLING IT, AND THE PROSPECT
OF A WANING OF TORRIJOS POLITICAL SUPPORT OFFER POTENTIAL
PROBLEMS AND OPPORTUNITIES FOR THE UNITED STATES.
LEFTISTS WILL SEEK TO EXPLOIT THE SITUATION TO THE DETRIMENT
OF TORRIJOS'S RELATIONS WITH BOTH THE PRIVATE SECTOR
AND WITH THE UNITED STATES. MODERATES, INSIDE AND OUTSIDE
THE GOVERNMENT, WILL SEEK TO HEAL THE BREACH CAUSED BY RECENT
EVENTS AND TO ASSURE THAT TORRIJOS DOES NOT BECOME MORE
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DEPENDENT UPON THE LEFT FOR POLITICAL SUPPORT. THE UNITED

STATES IS NOW FACED WITH THE QUESTION OF WHETHER TORRIJOS INITIAL HEAVY-HANDED HANDLING OF THE OPPOSITION SHOULD AFFECT IN ANY WAY THE TREATY NEGOTIATIONS. WE SUBMIT THAT NOTHING HAS HAPPENED TO DIMINISH THE NEED FOR THE UNITED STATES TO CONCLUDE A NEW MUTUALLY SATISFACTORY CANAL TREATY WITH PANAMA IN ORDER TO PROTECT US INTERESTS IN THE CANAL AND PANAMA. FAILURE TO PROCEED WITH THE NEGOTIATIONS ONLY WILL REDUCE OUR CHANCES OF REACHING AN AMICABLE SOLUTION WITH PANAMA, AND WOULD PLAY INTO THE HANDS OF ANTI-US ELEMENTS. WERE THE US TO STALL THE NEGOTIATIONS, TORRIJOS WOULD HAVE NO CHOICE BUT TO DENOUNCE THE US AND RELY INCREASINGLY ON LEFTIST SUPPORT. AGREEMENT ON A TREATY, ON THE OTHER HAND, WILL REINFORCE PRO-US FORCES. OUR CHOICE IS TO KEEP A FRIEND OR MAKE AN ENEMY. END SUMMARY.

1. NO RELATIONSHIP WHICH REVOLVES AROUND ONE MAJOR PROBLEM -- SUCH AS IS THE CANAL ISSUE IN US-PANAMANIAN RELATIONS -- REMAINS STATIC. EITHER PROGRESS IS BEING MADE IN RESOLVING THE ISSUE TO THE TWO PARTIES' MUTUAL BENEFIT, OR THE RELATIONSHIP PROGRESSIVELY DETERIORATES. THROUGHOUT MUCH OF THE PAST 11 YEARS, THE PROCESS HAS BEEN ONE OF DETERIORATION. DURING THE PAST YEAR THIS PROCESS HAS BEEN CHECKED BY THE PROGRESS THE TWO SIDES HAVE MADE IN THE NEGOTIATIONS AND BY THE CONFIDENCE BOTH SIDES HAVE DEVELOPED IN THE INTENTION OF THE OTHER TO REACH A MUTUALLY SATISFACTORY AGREEMENT. THE NEGOTIATING PROCESS AND THE MUTUAL CONFIDENCE ARE FRAGILE FLOWERS WHICH MUST BE CAREFULLY TENDED LEST THEY WILT.

2. THIS CABLE ASSESSES THE IMPLICATIONS FOR THE TREATY NEGOTIATIONS OF THE RECENT INTERNAL CONFLICT AND THE DETERIORATION IN THE TORRIJOS GOVERNMENT'S RELATIONSHIP WITH IMPORTANT ELEMENTS IN THE PRIVATE SECTOR. THE GOVERNMENT'S EXPULSION FROM PANAMA, EVEN IF ONLY TEMPORARILY, OF SEVERAL RING LEADERS OF THE OPPOSITION, RAISES THE QUESTION OF HOW THE UNITED STATES GOVERNMENT SHOULD RESPOND. THE THESIS OF THIS MESSAGE IS THAT UNITED STATES INTERESTS IN PANAMA WILL BEST BE SERVED BY THE SUCCESSFUL CONCLUSION OF THE CANAL TREATY NEGOTIATIONS. WE SHOULD SEEK TO AVOID ACTIONS WHICH WOULD CONTRIBUTE TO THE DETERIORATION
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OF US-PANAMANIAN RELATIONS. SUCH A DETERIORATION WOULD ENDANGER US INTERESTS IN THE CANAL AND WOULD ENSURE THE GROWTH OF INFLUENCE OF ANTI-DEMOCRATIC FORCES ON THE RIGHT AND THE LEFT. IT WOULD ALSO PROBABLY LEAD TO A SITUATION IN WHICH FURTHER RESTRICTION OF CIVIL LIBERTIES WOULD OCCUR.

3. WE CONSIDER IT SIGNIFICANT THAT DURING THE RECENT CRISIS TORRIJOS AND HIS FOLLOWERS DID NOT TRY TO WHIP UP ANTI-

AMERICANISM IN ORDER TO WARD OFF THE OPPOSITION. INSTEAD, THEY DID ALMOST THE OPPOSITE; HE PLAYED UP HIS NEGOTIATORS' SUCCESS IN RECENT MONTHS BY RELEASING STORIES THAT THE TWO SIDES WERE NEAR AGREEMENT. ALTHOUGH SUCH EXAGGERATIONS ARE ANNOYING, THEY ARE PREFERABLE TO ANY ATTEMPT BY TORRIJOS TO ATTRIBUTE HIS DOMESTIC POLITICAL TROUBLES TO SHADY MANEUVERINGS BY THE CIA OR THE U.S. GOVERNMENT, OR OTHERWISE TO USE ALLEGED US INTRANSIGENCE IN THE NEGOTIATIONS TO DISTRACT THE PANAMANIAN PUBLIC FROM DOMESTIC POLITICAL PROBLEMS. HAD THE NEGOTIATIONS NOT BEEN GOING WELL, TORRIJOS WOULD UNDOUBTEDLY HAVE TRIED TO USE THE CANAL ISSUE AS A WHIPPING BOY. THE GOOD STATE OF OUR CURRENT RELATIONS PREVENTED THIS DURING THE CONFRONTATION WITH THE PRIVATE SECTOR. WE NEED TO KEEP THIS IN MIND FOR THE FUTURE.

4. THE FULL IMPACT OF THE RECENT CONFRONTATION ON TORRIJOS' DOMESTIC SUPPORT AND POWER WILL DEPEND IN LARGE MEASURE ON HOW SKILLFULLY HE MANAGES MATTERS DURING THE NEXT FEW WEEKS. WE BELIEVE HIS ERROR IN HANDLING A "POLITICAL" SITUATION IN A "MILITARY" MANNER HAS COST HIM SUPPORT AND HAS MADE PRIVATE SECTOR-GOVERNMENT COOPERATION MORE DIFFICULT (SEE REFTTEL 0749). BUT HE STILL RETAINS FIRM CONTROL. HIS EXPULSION OF 11 PROMINENT PANAMANIAN WILL DAMAGE HIS IMAGE IN THE UNITED STATES. YET, HE INTENDS TO BRING THEM BACK AFTER A COOLING-OFF PERIOD, AND THE DIMENSIONS OF THIS OFFENSE AGAINST CIVIL RIGHTS REMAIN MUCH LESS THAN IS THE CASE WITH OTHER REGIMES WHICH HAVE HUNDREDS IF NOT THOUSANDS OF THEIR CITIZENS IN JAILS AND IN EXILE.

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 NSCE-00

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C O N F I D E N T I A L SECTION 2 OF 2 PANAMA 0750/2

5. SOME OF TORRIJOS' OPPONENTS IN THE PRIVATE SECTOR HAVE TOLD US WE SHOULD NOT BE SUPPORTING, WITH ECONOMIC AND MILITARY ASSISTANCE, AN UNDEMOCRATIC GOVERNMENT. THEY ARGUE THAT IF WE CONCLUDE A TREATY WITH TORRIJOS, HE WILL BE PERPETUATED IN POWER. SOME AMERICAN BUSINESSMEN WHO PREVIOUSLY HAVE SUPPORTED THE TREATY NEGOTIATIONS ALSO HAVE EXPRESSED CONCERN OVER CURRENT ACTIONS OF THE GOVERNMENT. THEY TOO HAVE RAISED THE MORAL QUESTION OF WHETHER THE UNITED STATES SHOULD NEGOTIATE WITH A REPRESSIVE GOVERNMENT.

6. MODERATES WITHIN THE GOP, ON THE OTHER HAND, AND SOME PANAMANIAN OUTSIDE THE GOVERNMENT WHO HAVE SUPPORTED THE TREATY NEGOTIATIONS AND WORKED FOR IMPROVEMENT OF THE US-PANAMANIAN RELATIONSHIP, HAVE URGED THAT, PRECISELY BECAUSE OF RECENT DEVELOPMENTS AND THEIR IMPLICATIONS FOR THE FUTURE, WE PRESS FORWARD WITH THE NEGOTIATIONS AND TRY TO ACHIEVE A DRAFT TREATY AS SOON AS POSSIBLE. THESE MEN BELIEVE THAT WITHOUT A NEW TREATY POLITICAL FORCES HERE WILL DRIVE PANAMA LEFTWARD AND THAT THE CANAL ISSUE WILL CONTINUE TO HAVE A DESTABILIZING EFFECT ON PANAMANIAN
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POLITICS. THEY COUNTER THE ARGUMENT THAT TORRIJOS COULD USE A NEW TREATY TO PERPETUATE HIMSELF IN POWER, BY POINTING OUT THAT A TREATY WILL BE AS MUCH OF A LIABILITY AS A BOON FOR TORRIJOS. THE PRIMARY REASON THAT SOME OF THESE MEN DO NOT NOW OPPOSE TORRIJOS IS THAT THEY WANT HIM TO BEAR THE BURDEN OF SECURING RATIFICATION OF A NEW TREATY. ONLY THEN COULD THEY BEGIN TO PLAN TOWARD FORCING A "DEMOCRATIC OPENING," OR IF NECESSARY, AN OVERTHROW OF TORRIJOS. TO DO SO BEFORE A TREATY IS CONCLUDED WOULD, THEY BELIEVE, RESULT IN THE CREATION OF A EVEN MORE RADICAL GOVERNMENT. THEY ASSERT THAT ANY DEMOCRATICALLY-BASED GOVERNMENT WOULD HAVE DIFFICULTY NEGOTIATING AND RATIFYING A TREATY INVOLVING COMPROMISES. BUT ANY MODERATE SUCCESSOR GOVERNMENT COULD SUPPORT A JUST TREATY NEGOTIATED BY TORRIJOS.

7. IN THE ABSENCE OF A TREATY, WE BELIEVE THE NATURAL DYNAMICS OF PANAMANIAN POLITICS WILL TEND TO NUDGE TORRIJOS LEFTWARD. HIS POPULAR BASE OF SUPPORT IS GRADUALLY DWINDLING FOR REASONS DISCUSSED PANAMA 0749), AND HE WOULD BECOME MORE DEPENDENT UPON LEFTISTS GROUPS FOR SHOWS OF SUPPORT. DURING THE PAST TWO

YEARS, PROGRESS OR HOPE OF PROGRESS IN THE NEGOTIATIONS HAS CHECKED THIS PROCESS. IN FACT, THOSE WHO FAVOR CLOSE AND FRIENDLY RELATIONS WITH THE UNITED STATES HAVE GAINED IN INFLUENCE, BUT RECENT EVENTS MAY HAVE SHORTENED THE TIME WE HAVE IN WHICH TO NEGOTIATE A TREATY.

8. THE FACT THAT TORRIJOS' POPULAR SUPPORT HAS DECLINED -- AND PROBABLY WILL CONTINUE TO DO SO -- MAKES HIM INCREASINGLY SUSCEPTIBLE TO INFLUENCE FROM GROUPS OFFERING SUPPORT. THE LEFTISTS KNOW THIS AND HAVE CAPITALIZED ON IT AS BEST THEY COULD. SO HAVE THE MODERATES AND CONSERVATIVES IN THE GOVERNMENT WHO HAVE SHAPED THE GOP'S OVERALL ECONOMIC POLICIES AND COUNSELED TORRIJOS TO SEEK AN ACCOMMODATION WITH THE UNITED STATES. SOME POLITICALLY ASTUTE MEMBERS OF THE UPPER-CLASS OLIGARCHY HAVE TAKEN A SIMILAR VIEW. THEY HAVE REFUSED TO ABDICATE TO THE LEFTISTS.

9. THE ARGUMENT THAT IF TORRIJOS' SUPPORT AND, PERHAPS, POWER ARE DECLINING, THEN THE UNITED STATES SHOULD WAIT TO NEGOTIATE WITH THE GOVERNMENT THAT FOLLOWS HIM HAS SEVERAL FLAWS. FIRST, IN THE ABSENCE OF A SUCCESSFUL RESOLUTION OF THE

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CANAL ISSUE, ALMOST CERTAINLY ANY SUCCESSOR GOVERNMENT WOULD BE MORE NATIONALISTIC AND PROBABLY MORE LEFTIST THEN THE PRESENT ONE. WITHOUT A NEW TREATY EACH SUCCESSOR GOVERNMENT WOULD HAVE TO BE MORE PATRIOTIC ON THE CANAL ISSUE THAN ITS PREDECESSOR. THIS WOULD BE ESPECIALLY TRUE IF THE GOVERNMENTS WERE DEMOCRATICALLY ELECTED AND HAD TO DEPEND SOLELY ON POPULAR SUPPORT TO STAY IN OFFICE. THE EXTREME LEFTISTS HERE PREFER TO LEAVE THE CANAL ISSUE FESTERING, THEREBY PROVIDING AN IDEAL SITUATION FOR THEM TO CONSOLIDATE THEIR SUPPORT WHICH IS NOT YET VERY LARGE.

11. CONCLUSIONS: RECENT EVENTS HAVE NOT DIMINISHED IN ANY WAY THE NEED FOR THE UNITED STATES AND PANAMA TO CONCLUDE, AS EXPEDITIOUSLY AS POLITICAL CIRCUMSTANCES IN BOTH COUNTRIES PERMIT, A NEW MUTUALLY SATISFACTORY TREATY RELATIONSHIP. EVERY UNITED STATES PRESIDENT SINCE 1964 HAS RECOGNIZED THAT THE 1903 TREATY RELATIONSHIP WITH PANAMA NO LONGER ADEQUATELY PROTECTS UNITED INTERESTS IN PANAMA AND LATIN AMERICA AS WELL. AS TIME PASSES AND THE PANAMANIAN'S SENSE OF INJUSTICE AND BITTERNESS OVER THE RELATIONSHIP INCREASES, OUR ABILITY TO OBTAIN FAVORABLE TREATY TERMS DIMINISHES. FAILURE TO COMPLETE THE NEGOTIATION OF A TREATY WITH THE TORRIJOS GOVERNMENT WHILE IT HAS SUFFICIENTLY BROAD SUPPORT TO ACCEPT AND DEFEND ACCOMMODATION WITH THE UNITED STATES WOULD DELAY THE ACHIEVEMENT OF A TREATY FOR SEVERAL YEARS. ANY NEW GOVERNMENT WOULD NEED TO BUILD UP ITS NATIONALIST CREDENTIALS BEFORE IT COULD BEGIN MAKING AN ACCOMMODATION WITH US. MEANWHILE OUR OVERALL

RELATIONS WITH PANAMA WOULD DETERIORATE.

13. IF THE UNITED STATES SHOULD DELAY THE NEGOTIATIONS,
TORRIJOS WOULD HAVE NO CHOICE BUT TO DENOUNCE THE UNITED STATES
AND RELY INCREASINGLY ON LEFTIST AND NATIONALIST SUPPORT.
AGREEMENT ON A TREATY AND CLOSE RELATIONS WITH THE
UNITED STATES, ON THE OTHER HAND, WILL GENERATE FORCES TENDING TO
KEEP PANAMA ON A MODERATE COURSE. THIS, THEN, IS THE CHOICE
WE FACE: TO KEEP A FRIEND -- OR MAKE AN ENEMY.
JORDEN

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